

OFFICE OF THE UNDER SECRETARY OF DEFENSE (ACQUISITION, TECHNOLOGY AND LOGISTICS)

Accounting for Property in the Hands of Contractors

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Problem

How do we transition from the current reporting system (DD-1662) to an on-line system?

Current elements:

- Real Property
- Special Tools
- Special Test Equipment
- Agency Peculiar Property
- Material
 - Contactor Acquired Items
 - Government Furnished Items

Future elements:

- Real Property
- Equipment (Government Furnished)
- Material (Government Furnished)
 - Finished goods
 - Raw Material
- Low Value Property (below UID thresholds)

Audits/Verification/Reconciliation

- **Step 1**: Create '05 1662 with audit trail from '04 (i.e., our normal process)
- **Step 2**: Transition '05 (1662) data to new categories
- Step 3: Post Reconciliation
 - 1. Depreciate values of UID items
 - 2. Annual report of non-UID items (lump sum)
 - 3. Eliminate CAP reporting

Guidance out by March!

Issues

- What does the on-line system include?
 - Material that is UID'd
- Do we continue 1662's for non-UID items?
 - Some kind of annual, lump sum report
- What do to with Real Property?
 - Report it like the non-UID items until RPUID'd
- How can we ensure "1662-like" future reporting excludes CAP?
 - DOD needs to adopt the "Possession" concept
 - Upon "possession" CAP would be treated similarly to end items
- What do we do with Low Value Property?
 - Net Book Value is Zero (items have been expensed)
 - Accountability by contractors drives an "Inventory" value
 - Depreciates over time
 - Need format for LRP for beyond 2005

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